INSTITUTE *of* STATISTICS
OXFORD

Bulletin Vol. 6. *May 20, 1944* *No. 7*

EDITORIAL NOTE.

Subscriptions to the BULLETIN should be sent to Basil Blackwell, 49 Broad Street, Oxford; the cost of each issue is 2s. 6d., and of a yearly subscription (three-weekly issues) 22s. 6d.

The views and recommendations put forward in signed articles are those of the respective authors, and not necessarily those of the Institute of Statistics or of the Editor of the BULLETIN.

CONTENTS

1.—THE BUDGET:
A. THE STABILISATION POLICY, by M. Kalecki ... p. 101
B. THE BUDGET PROPOSALS AND TECHNICAL PROGRESS, by T. Balogh 104
2.—EARNINGS AND HOURS OF LABOUR, by J. L. Nicholson 107
3.—DIARY—Changes in the Cost of Living: U.S.A. and U.K. 113

THE BUDGET

A. THE STABILISATION POLICY

NO NEW TAXES.

The present Budget is the first of the war-time budgets that does not introduce any new taxation. In a fairly fully controlled economy like that of Great Britain the importance of taxation as a means of curtailing consumption is in general very much reduced. Some sectors of the economy, however, remain still free. If the supply of goods and services in these sectors falls while incomes are still on the increase, direct taxation provides a useful weapon in the fight against inflation alongside with rationing and price control. Such is not, however, the situation at present. The rise in Government expenditure anticipated in the new Budget is small compared with the previous year. The transfer of workers from the civilian to the war sector of industry has more or less ended. Nor does there seem to be any danger of a drastic reduction in imports which would necessitate cutting down rations and thus increase the pressure on the uncontrolled sector. In these circumstances a Budget without new taxes is even more natural than it would have been last year. For then the non-imposition of new taxes, though quite 'safe,' might have required some additional rationing and price control.

It should be added that the introduction of the pay-as-you-earn

PUBLISHED BY BASIL BLACKWELL, OXFORD

system, which in periods of rising incomes increases revenue as compared with lagging taxation, also exerts some pressure on consumption. For many people are likely to budget their consumption on the basis of their income net of the income tax *paid* in a given period.

On closer examination of the Budget Speech however, it becomes a little doubtful whether no measures equivalent to new taxation are involved in the present Budget. The statement of the Chancellor of the Exchequer that he may not use to the full the weapon of subsidies to keep the cost of living at the present level, if it does not imply the cutting down of present subsidies, it means at least that in budgeting subsidies no sufficient provisions have been made for preventing a rise in the cost of living as a result of the possible future rise in the production costs of the respective goods. Now an actual or potential cut in subsidies is equivalent to an increase in indirect taxes. In fact it is even more harmful than an increase in duties on beer, tobacco etc., because it causes a rise in the price of necessities.

Prices and Wages.

The Chancellor of the Exchequer stated that in present circumstances he cannot consider the cost of living (as measured by the index of the Ministry of Labour) at the level of 25 to 30 per cent above pre-war as sacrosanct and that for the next year he guarantees only a level of 30 to 35 per cent above pre-war. The reason given for this change of policy is as follows. The cost of living index of the Ministry of Labour is now 28 per cent over the 1938 level. However, the index of retail prices of all consumption goods and services after eliminating the influence both of subsidies and indirect taxes was, in 1943, according to the new White Paper, 41 per cent over the 1938 level.[1] This discrepancy between the ' natural ' and artificial price level is considered dangerous by the Chancellor of the Exchequer.

If, however, we use the information contained in the White Paper a very different picture emerges. We find, on the basis of these data, that the index of *market* retail prices (i.e. prices actually paid by consumers) was 54 per cent higher than before the war. This is the ' artificial ' price level, in the sense that it is influenced both by subsidies and indirect taxes. When indirect taxes are subtracted and subsidies added we obtain the figure of 41 per cent for the increase in the ' natural ' price level over pre-war which the Chancellor mentioned. Now the divergence between these two indices is in the opposite direction to that stressed by the Chancellor[2] who used as a measure of the ' artificial ' price level the Cost of Living Index and *not* the figure which measures the overall increase in prices to consumers.

How is it explained, however, that the cost of living index is so much below the index of retail market prices calculated from the White Paper ? This may first be due to the fact that prices relevant to working-class budgets increased less than those relevant to the overall consumption of goods and services. (To the extent to which this is the case the figure for the increase in the retail prices net of subsidies and taxes which is relevant for comparison with the cost of living index will be below 41 per cent mentioned above.) But a far more important reason for the discrepancy in question is that subsidised necessities are heavily overweighted and goods subject to indirect taxation heavily under-weighted in the Ministry of Labour cost of living index. If the necessary corrections were introduced it is likely that the cost of living index would show a rise as compared with the pre-war level of 40 per cent or more.[1] If this is taken into account the rise in money wage rates by about 40 per cent as compared with pre-war is likely to represent some fall in real wage rates. The results of the above discussion are shown in the following table.

---

[1] The respective figures given by the Chancellor are 28 and 38 per cent over pre-war. He probably took as the basis of comparison September 1939 in one case and the average of 1939 in the second. However, the average of 1939 is affected by the price increases in the first 4 months of the war. We prefer therefore to relate both indices to the averages of 1938.

[2] Because indirect taxes, in fact, heavily outweighed subsidies.

Increases in Price and Wage Indices as compared with 1938.

Retail market prices of consumption goods and services in 1943 (White Paper)	54%
The same prices after subtracting taxes and adding subsidies in 1943 (White Paper)	41%
Ministry of Labour Cost of Living Index, March 1944	28%
Probable increase in price index of working-class consumption	over 40%
Index of money wage rates, March 1944	40%

Now, quite apart from the validity of the above argument, let us consider what would be the result of an increase in retail prices relevant to working-class consumption. First of all the wages of several millions of workers will rise *immediately*, because of existing agreements linking wages to the cost of living. Other workers are likely to press for corresponding increases and it is difficult to see on what grounds these claims can be rejected if some millions have already obtained a rise. This rise in wages will lead to further price increases. But even provided that the policy were successful in reducing the relation of wages to prices (i.e. real wages) by increasing the cost of living without this having a proportionate effect upon money wage rates, what would be the implications of such a policy? The Chancellor of the Exchequer quite rightly considered that this would make it possible to abolish controls earlier without causing an inflationary rise in prices thereafter. But the inflationary pressure *after* decontrol will be reduced only to the extent to which prices have risen in relation to wages *before* it. In short, this method amounts to preventing price increases after decontrol by making prices rise in the same proportion earlier. Just like indirect taxation it consists in replacing spontaneous inflation by a planned increase in prices.

THE PRICE LEVEL AND FOREIGN TRADE.

The Chancellor of the Exchequer also mentioned that the subsidies to keep down the cost of living are necessitated not only by the rise in cost of production due to wage increases but also by increases in prices of foreign raw materials. He considered it dangerous to increase beyond a certain limit the gap between home and world market prices. The dangers involved in such a situation are not very clear. The relatively low level of home retail prices cannot in any way impair the position of exports. It is true that to the extent to which it increases the purchasing power of the population it raises the demand for imports. The Chancellor of the Exchequer indicated, however, at the beginning of his speech that the Government is committed to a full employment policy. Under *laisser-faire* higher prices in relation to wages would depress effective demand and employment and thus reduce the demand for imports. In the regime of full employment, however, the deficiency in effective demand would be made good by counter-measures and thus the demand for imports would be roughly maintained.

---

[1] *Cf.* J. L. Nicholson, 'Wages and Prices,' BULLETIN Vol. 4, No. 17, and 'The Distribution of the War Burden,' BULLETIN Vol. 5, No. 7.

It is true that in particularly unfavourable conditions for exports full employment may lead to difficulties in equilibrating the balance of foreign trade and thus cause bottlenecks in the supply of imported goods. The problem arising out of this situation would have to be solved by rationing and controls.

The above analysis shows that it is difficult to find any advantages in the abolition of the price stabilisation policy. The upward revision of the cost of living will contribute nothing to the solution either of home or foreign trade problems but will stimulate a rise in wages and as a result lead to further price increases.

M. KALECKI.

B. THE BUDGET PROPOSALS AND TECHNICAL PROGRESS

Complete agreement exists that the productivity of British industry must be drastically improved after the war to permit the restoration and increase in the standard of life in a period of considerable strain while at the same time extending help to the underdeveloped or war-ruined areas. All effective measures to this end must be welcomed. The Chancellor of the Exchequer devoted a considerable part of his Budget Speech to this problem and outlined a post-war programme of tax-reforms to help in its solution. In discussing these proposals it must be remembered, moreover, that the Government, according to a statement by Lord Woolton, intends to publish ' shortly ' a White Paper on Government Policy with respect to Monopoly or Monopolistic Practices, that a further White Paper is expected on Full Employment Policy and the Location of Industry, and finally, that a Departmental Committee has been appointed to advise on the reform of the Patent Law. The proposals of the Cahncellor then form part—and, presumably only a minor part—of a more comprehensive policy dealing with the most urgent economic problems facing Britain. Any comments offered must, therefore, be guarded and qualified by the fact that further measures dealing with certain aspects or implications of the policy already outlined must no doubt be under the active and careful consideration of the Cabinet and its expert advisers.

Efficiency of plant can be promoted in two main ways. First, existing new technical processes can be introduced and old plant scrapped. Secondly, new processes or new products can be evolved by research and experiment. Economically both can be regarded as investment.[1] It has often and with increasing insistence been argued that the present rules concerning the determination of taxable profits discourage the modernisation of plant and the development of research. The Inland Revenue in assessing taxation permits the deduction from gross profits of a standardised percentage of the original cost of the plant for wear and tear. A further obsolescence allowance is made equal to the rated value (arrived at by deducting from the original cost the depreciation allowances granted) less scrap value of the plant, if and when the plant is replaced ; provided that the replacement at least corresponds in value and that the depreciation allowances were insufficient to write off the plant before replacement. Depreciation of buildings was not allowed against income except for an initial allowance on factory buildings. There was some flexibility in the Inland Revenue practice. They did not insist on the actual replacement of the obsolescent machine, though, apparently some anomalies occurred when the productive activity of a firm underwent more drastic changes than could be regarded as compatible even with an enlightened interpretation of the concept of ' replacement.'

As far as ' research ' expenditure was concerned, the Inland Revenue accepted current running costs of laboratories including salaries as valid ' costs ' chargeable against profits. Expenditure on plant, however, was regarded as ' capital ' and treated in the same way as investment in any other plant (i.e. equally eligible for depreciation and obsolescence allowances). No special allowance was made, however, for pilot plants or buildings connected with research. All expenditures incurred in maintaining Research Associations or other common organs of research were allowed for income tax purposes.

The complaint of industry was the insufficiency of depreciation allowances and of the allowances on research carried on by individul firms. This contention the Chancellor accepted.[2] It is proposed that after the war a special allowance of 20 per cent of the original cost of the new plant in any one year may be made against the profits *of that year*. Obsolescence allowances (which will be *tanto quanto* smaller) will be permissible when plant is scrapped irrespective of replacement.[3] New factory and ancillary industrial (though not commercial structures) buildings will be eligible for a special allowance of 10 per cent. Both new and old building will be permitted a depreciation allowance of 2 per cent p.a. Research expenditure of a capital character will be eligible for a depreciation allowance of 20 per cent p.a. and can be written off earlier if the life of the assets are shorter ' because,' in the view of the Chancellor, ' it is not immediately related to the making of profits, and its benefits do not always accrue mainly to the originator.'

---

[1] *Cf*. The Finance of Scientific and Applied Research, BULLETIN Vol. 6, No. 1, p. 2.

[2] He refused to accede to the request to charge a lower rate of tax with respect to company reserves, i.e. to give relief to corporate saving upon the analogy to relief granted in respect of personal insurance policies. A much more powerful argument against this proposal is the stimulus it gives to the monopolisation of industry.

[3] It is not quite clear whether replacement in some even quite different form must take place or whether the fact of scrapping will be sufficient even if the value is kept in liquid form.

A comparison of the proposed new rules with the existing rules shows the measure of the relief, and will also indicate the probable effect of the change.

1. Instead of waiting for the scrapping of the plant and its replacement by new machinery of at least equal value an initial allowance of 20 per cent is made. This rule will benefit enterprise, and in the introductory stages of the scheme *ceteris paribus* reduce tax revenue:[1] (*a*) in respect to the interest on the initial depreciation allowance until the time of the scrapping of the plant; (*b*) in respect to the obsolescence allowance of plant which is not replaced either because the firms *after* the first year suffer from an insufficiency of profits or reserves or because they changed their production very considerably and the ' replacement ' was not acceptable to the Inland Revenue.

2. 10 per cent of the cost in respect to new buildings and the small depreciation on all building.

3. The allowance with respect to capital expenditure on research. This is another net gain.

The relief which is obtainable from (1) is at best numerically small for firms with a stable market and profits. It will tend in such fields to benefit the bigger units which switch production into new lines. In so far as it reduces risk by 20 per cent of the initial commitment in the first year it may encourage the formation of new firms in more uncertain fields needing little fixed capital equipment. Longer term foresight being increasingly difficult in modern conditions the use of immediate profits for the reduction of a commitment is important. It is in all probability not sufficient, however, to ensure ' free ' entry into existing lines of production or to offset the urge of existing firms to ' stabilise their markets.'

The new relief given by (2) is welcome. British factories are in general badly laid out and obsolete. New buildings would increase efficiency by a better lay-out and by giving better conditions to workers. Here again the relief will be most useful to big firms who have sufficient capital to undertake the commitment. The problem of reorganising smaller industry can only be solved by public development of factory space which is rented to firms. It should be noted that the new relief was not made conditional on the firms agreeing to follow the advice of some authority entrusted with Industrial Location Policy. A stimulus to new factory building without some control of location might seriously aggravate post-war economic problems if it led to a migration of factories in the wrong direction.

The relief granted with respect to capital expenditure on research will in all probability give some impetus to monopoly. Small firms are unable to indulge in expenditure of this character; their contribution to research associations were already accepted as costs and they will derive no further benefits. Relief from taxation cannot benefit firms which have not the capital strength or earning capacity to incur the cost and risk of research. Even large firms usually demand special protection before undertaking considerable capital expenditure on pilot plants, etc.[2] We have tried to analyse the causes which increasingly concentrate research expenditure in the hands of few huge concerns and are likely to accentuate this tendency in another article.[1] With this tendency went hand in hand in many cases a desire to 'regulate' the rate of technical progress by sterilising new discovery and impeding competition by blocking patents and restrictive agreements. We cannot expect that without supervision the use made of the results of new research will be the most desirable even if a liberal view is taken of the need of the firms to safeguard themselves against a too rapid obsolescence.[2] Relief should not have been granted except on condition that they submit to such supervision. Otherwise the stimulus might increase the degree of monopoly and profits without increasing productivity and real income. The favourable experiences in war, to which the Chancellor referred are not relevant to peace-time practices. War-time scientific industrial research and its application was almost exclusively undertaken at the cost and under the supervision of the Government by scientists mostly not in private service.

---

[1] In the absence of full employment policy the qualified stimulus to investment which the measure represents might increase national income.

[2] *Cf.* Cmd. 5665, The Report of the Committee on Oil from Coal.

Finally, no policy of tax relief can deal with industries which are depressed, for there are no profits to be relieved and no new capital can be obtained to modernise plant. Nor can tax relief solve the problem consequent upon the operation of the principle of increasing risk, i.e. the fact that risk increases more than proportionately with the increasing size of the commitment. Thus one of the most urgent industrial problems cannot be tackled by *negative* measures of tax relief.

Further Government statements will, no doubt, deal with most of these points. The Chancellor's proposals, if suitably modified and supplemented provide the first step towards the essential and overdue refurbishing of the British industrial equipment and organisation whose relative shortcomings has been sharply illuminated by comparisons with the United States.[3]

T. BALOGH.

EARNINGS AND HOURS OF LABOUR

The Ministry of Labour has published the results of a further enquiry into wages,[4] held in July 1943. For the first time since the beginning of the war, information has been given of average working hours, in July 1943 and October 1938. In addition to the industries which are included in these enquiries, some figures have also been given of average earnings of workpeople in coal mining and railways. Data are still lacking about earnings in agriculture, the distributive trades, shipping service, catering and domestic service.

---

[1] BULLETIN, op. cit. p. 3/4.

[2] The accelerated and increased obsolescence allowances will in no way reduce the interest of firms to safeguard the value of their assets (even if they are written off) if they are capable of doing so.

[3] *Cf.* L. Rostas (Economic Journal 1943).

[4] *Ministry of Labour Gazette*, February 1944.

The average weekly wages in October 1938 and July 1943 of men, boys (under 21), women, girls (under 18) and of all workers together, in the industries included in the Ministry of Labour's enquiries, are shown below, the averages being obtained by weighting the different industries according to the numbers employed at the respective dates. The figures relate to actual *earnings* in a given week, including extra payments for overtime, Sunday or night work as well as earnings on piece work, and must be distinguished from wage *rates*, which are based on a full ordinary week's work and do not include any of these additional payments.[1]

*Average Weekly Earnings in the Principal Industries**

	Men		*Boys*		*Women*		*Girls*		*All*	
	s.	d.	s.	d.	s.	d.	s.	d.	s.	d.
October 1938	69	0	26	1	32	6	18	6	53	3
July 1943	121	3	47	2	62	2	33	10	98	7

* The main groups of industries included are listed below p. 111.

Part-time women workers (employed for not more than 30 hours a week), whose average earnings in July 1943 were 29s., are included, both here and in the subsequent figures, on the basis of two part-time workers representing one full-time worker. It is stated that, if part-time workers had been excluded, the average earnings of women, in July 1943, would have been increased from 62s. 2d. to 62s. 5d. Assuming that each of these estimates has been given to the nearest penny, the number of part-time women workers may be estimated at between 7½ and 14 per cent of the total number of adult women workers employed in these industries;[2] the wide margin resulting from the fact that the averages are not given to fractions of a penny.

The changes which have occurred in the principal industries, since 1938, are summarised in the following table. The first set of figures has been obtained by applying weights proportionate to the numbers in the different industries, and in the different age and sex groups, in 1938. For men, boys, women and girls, the index numbers shown are those published by the Ministry of Labour. The four index numbers were combined, to obtain the index for all workers, on the basis of the estimated relative numbers of men, boys, women and girls employed in these industries, in 1938.[3] The second set of figures is based on the numbers currently employed at the respective dates.

---

[1] The averages for all workers are calculated by applying the total numbers employed in each industry to the average earnings of all workers in the returns for that industry. In some industries, the average earnings of women and girls have not been shown, on the grounds that ' the numbers returned were insufficient to provide a satisfactory basis for general averages ' ; if they were not included in the subsequent working, or if the returns for women were less representative than those for men, the averages for all workers may have been slightly over-estimated and it seems possible that more reliable estimates might have been obtained by weighting the averages for men, boys, women and girls in proportion to their relative numbers. The comparison between the two dates may also have been slightly disturbed, since there were a larger number of missing entries in October 1938 than in July 1943. A partial explanation may thus be provided for the small changes which have apparently occurred in the proportionate numbers in the four sex and age groups.

[2] Approximately half these percentages if part-time workers are reckoned as half the value of full-time workers.

[3] As mentioned in previous BULLETINS, there is some ambiguity about the index

For comparison, the index number of wage rates in the same group of industries is also shown. If extended to include industries not covered by the enquiries (agriculture, coal mining, railways and merchant shipping), it is stated that the index of wage rates for July 1943 would be raised to about 137.

Average earnings in the building and contracting industries, in January 1942 and January 1943, were affected by the shorter working hours in winter and are not directly comparable, therefore, with the averages at other dates. The index numbers have accordingly been adjusted by assuming that the average earnings of builders at the two January enquiries were mid-way between the averages recorded in the July enquiries of the same and the preceding year ; the unadjusted and adjusted figures both being shown.

INDEX NUMBERS OF AVERAGE EARNINGS

Based on numbers employed in 1938

	Men	*Boys*	*Women*	*Girls*	*All*	*Index of Wage Rates*
October, 1938	100	100	100	100	100	100
July 1940	126	132½	118	118	125½	110½
July 1941	140	155½	129	132½	139½	118
January 1942 (unadjusted)	140½	156½	134½	140	141	122
January 1942 (bldrs. adjusted)	144	161½	-	-	145	-
July 1942	153	169	151	159	154	124
January 1943 (unadjusted)	154	165	158½	166	155½	126½
January 1943 (bldrs. adjusted)	156	168	160	-	158	-
July 1943	164	173	167	176	165¼	130

Based on numbers currently employed

	Men	*Boys*	*Women*	*Girls*	*All*
October 1938	100	100	100	100	100
July 1940	129.0	134.5	119.7	120.7	129.9
July 1941	144.1	160.7	135.1	135.1	142.4
January 1942 (unadjusted)	147.8	162.9	146.2	145.0	146.0
January 1942 (bldrs. adjusted)	151.0	167.6	-	-	150.2
July 1942	161.5	177.0	166.7	163.5	159.9
January 1943 (unadjusted)	164.9	172.8	180.0	173.4	165.1
January 1943 (bldrs. adjusted)	167.0	176.0	181.8	-	167.6
July 1943	175.7	180.8	191.3	182.9	175.7

The second set of figures, shown in this table, includes the effects of changes, which have occurred since 1938, in the proportionate numbers of workpeople employed in different industries, and in different occupations within each industry, as well as the effect of changes in the pro-

numbers published by the Ministry of Labour for all workers, based on 1938 weights, which do not agree, for all dates, with the figures given here. The context (*cf. Ministry of Labour Gazette,* February 1944, p. 29, second paragraph) would suggest that changes which have occurred, since 1938, in the relative numbers in different industries as well as in the different sex and age groups have both been eliminated ; but only the former is explicitly stated. In order to ensure that changes in both factors are eliminated, we have re-calculated these index numbers, using the following percentages, which were obtained from figures of insured persons : Men 59%, Boys 14%, Women 20½%, Girls 6½%.

portionate numbers of men, boys, women and girls on the average earnings of all workers combined. The first set of figures includes the effects of changes in the proportionate numbers employed in different occupations within each industry, but not of changes between different industries or between age and sex groups. A comparison of the two sets of figures, after eliminating the effect on the index for all workers of changes in the relative proportions of men, boys, women and girls, indicates the effect of changes in the numbers employed in different industries. Between October 1938 and July 1943, the increases in average earnings, due to changes between industries (but not between different occupations within a given industry), are estimated as follows:

Men	*Boys*	*Women*	*Girls*	*All*
7%	4½%	14½%	4%	7¾%

The effect has been greatest in the case of women, mainly, no doubt, because new entrants have been attracted to the higher paid industries. The increase in the proportion of women employed in these industries and the reductions in the proportions of men, boys and girls has caused a reduction in the average earnings of all workers which, over the same period, may be estimated at 1½% ; a surprisingly small amount considering that women have mainly been employed in substitution for men and that their earnings are approximately half those of men.[1]

Particulars of average working hours in October 1938 and July 1943 were furnished by practically all the firms which supplied information on earnings, both sets of data relating to the same week, in each year. The following figures show the average number of hours actually worked (including overtime ; excluding time lost, recognised intervals for meals, etc.) in the industries included in the enquiries, and the percentage increase between the two dates. The averages were obtained by weighting the different industries according to the numbers employed at the respective dates.[2]

*Average Weekly Hours of Work in the Principal Industries.**

	Men	*Youths*	*Women*	*Girls*	*All*
October 1938	47.7	46.2	43.5	44.6	46.5
July 1943	52.9	48.0	45.9	45.1	50.0
Increase	10.9%	3.9%	5.5%	1.1%	7.5%

* The main groups of industries included are listed below, p. 111.

The increase in working hours, since 1938, has been greatest in the case of men and least in the case of girls.

Average working hours of all workers are affected, to some extent, by changes in the relative numbers of men, boys, women and girls, as well as by changes in the numbers employed in different industries. It is stated that, if the proportions in the different sex and age groups, and in the different industries, had remained the same as in 1938, average hours of all workers in July 1943 would have been about 49¾, or 7% higher than the average in 1938.

---

[1] But compare the remarks in footnote 1, page 108 above.

[2] Part-time women workers, in July 1943, being included, as before, on the basis of two part-time workers representing one full-time worker.

We can now separate the various factors which have been responsible for the increase in average earnings of 75.7% (as shown by the second series in the Table on p. 109) between October 1938 and July 1943. Wage rates, between these dates, increased by 30%, hours by 7%, transferences between different industries caused an increase of 7¾%, changes in the proportions in different age and sex groups a reduction of 1½%; and the remaining factors, such as extra payments for overtime and night work, and changes between different occupations within a given industry, may be estimated to have raised the average level of earnings by 19% (estimated as a residual). Thus:

$$130 \times 1.07 \times 1.0775 \times 0.985 \times 1.19 = 175.7.$$

Some idea of the variations in average earnings and hours of labour between the different industries included in the Ministry of Labour's enquiries, classified in main groups, is given in the following table, where average hourly earnings are also shown.

Average Earnings and Hours of Labour in the Principal Industries

	Averages, all workers, July 1943					*% increase since October 1938*	
	Earnings		*Hours*	*Hourly Earnings*		*Earnings*	*Hours*
	s.	d.		s.	d.		
Mining, quarrying of iron, stone, etc.	91	7	48.8	1	10.5	62	6.6
Treatment of non-met. products	97	10	50.8	1	11.1	60	3.0
Brick, pottery, glass ...	78	3	48.1	1	7.5	64	2.8
Chemical, paint, oil, etc.	90	1	48.9	1	10.1	64	3.6
Metal, engineering, ship-building	108	3	51.3	2	1.3	81	8.9
Textiles	64	2	48.1	1	4.0	70	5.0
Leather, fur, etc.	74	5	47.6	1	6.3	59	1.7
Clothing	54	9	44.8	1	2.7	56	5.7
Food, drink, tobacco ...	72	9	48.6	1	6.0	55	1.7
Woodworking	79	4	47.8	1	7.9	53	3.0
Paper, printing, etc. ...	80	6	46.8	1	8.6	40	3.1
Building, contracting, etc.	100	4	52.8	1	10.8	64	14.0
Miscellaneous manufacturing	84	1	48.9	1	8.6	81	4.5
Transport,* storage, etc.	95	0	50.7	1	10.5	45	3.9
Public Utility services ...	80	3	48.8	1	7.7	34	1.7
Government industrial ...	107	5	50.9	2	1.3	52	3.7

* excluding railways.

The variations in hourly earnings are comparatively small and are naturally less than the variations in total earnings, which are correlated with working time. In the ninety-five industries included in the enquiries, the average hourly earnings in July 1943 of men, for example, nearly all lie between 1s. 8d. and 2s. 8d. But the variations between skilled and unskilled labour are, of course, obscured in the averages for each industry.

As regards the variations in working hours, in October 1938, the average for men, in nearly all the industries, was between 40 and 50 hours a week, and in the majority of cases between 46 and 50. In July 1943, the average for men was, in nearly all cases, between 46 and 56 hours a week, but in most cases between 50 and 55 hours; clothing industries, at both dates, having shorter hours than most other industries. The averages for women working full time ranged, generally, between 39 and 47 hours a week in 1938 and between 41 and 48 hours in 1943. For boys, the averages nearly all varied between 40 and 50 hours a week in 1938 and between 43 and 51 in 1943. The average hours of girls have changed very little, ranging in 1938 between 40 and 50, and in 1943 between 42 and 50 hours a week, being highest in the textile, leather and food industries.

In coal mining, information collected by the Ministry of Fuel and Power shows that average earnings per man-shift (excluding allowances in kind) were 19s. 2d. in the three months ended September 1943, compared with 11s. 4d. in the corresponding period of 1939, the increase being approximately 69%.

More recently, details have been published,[1] and are reproduced in the following table, of average wages per shift, and of the average number of weekly shifts, for each half-year since 1936. The figures of average weekly wages, which are also shown, are obtained as a product of average wages per shift and the average number of weekly shifts.

Between the average of the calendar years 1938 and 1943, average weekly wages in coal mining apparently increased by about 76%.

*Average Wages in Coal Mining**

Period I=*Jan.—June* II=*July—Dec.*	*Average no. of shifts worked per wage-earner per week*	*Average wage per man-shift†*	*Average weekly wages†*	*Index of average weekly wages †* (*av. 1938=100*)
		s. d.	s. d.	
1936 I	4.99	10 0.03	49 11.0	89.7
II	5.02	10 0.66	50 5.7	90.7
1937 I	5.23	10 7.01	55 4.3	99.5
II	5.14	10 9.06	55 3.4	99.4
1938 I	5.05	11 2.38	56 6.6	101.7
II	4.87	11 2.79	54 8.4	98.3
1939 I	5.18	11 5.79	59 5.8	106.9
II	5.11	11 7.75	59 6.1	107.0
1940 I	5.36	12 8.67	68 2.3	122.6
II	5.18	13 4.38	69 2.8	124.5
1941 I	5.35	14 2.91	76 2.4	137.0
II	5.39	15 6.64	83 10.0	150.7
1942 I	5.35	16 2.24	86 7.2	155.7
II	5.33	18 8.38	99 8.0	179.2
1943 I	5.23	18 11.05	98 11.5	177.9
II	5.03	19 3.36	96 11.7	174.3

* Number of man-shifts from beginning of 1943 cover the whole industry. Otherwise the figures cover 96—97% of total output.

† Excluding allowances in kind.

In the railway service, information is collected annually by the Ministry of War Transport, from all railway companies in Great Britain and from the L.P.T.B., relating to average earnings of wage-earners in a particular week in March. The average earnings in March 1943 and, where particulars for the earlier date are available, the percentage increase since March 1939 are shown below.

---

[1] Statement given by Major Lloyd George in the House of Commons, 19/4/44.

Average Weekly Earnings in the Railway Service

	Men	Boys	Women	Girls
	s. d.	s. d.	s. d.	s. d.
March 1943	105 4	38 6	74 2	47 5
Increase since March 1939	53%	33½%		

The average earnings of women, in railways, are approximately 70% of the men's average, a much larger proportion than in most other industries.

A rough estimate may finally be made of the average increase in earnings for the industries included in the Ministry of Labour's enquiries, combined with agriculture, coal mining and railways. For agriculture, Professor Bowley's index of wage *rates* shows an increase of 73%, between August 1939 and July 1943; assuming an increase in earnings relative to rates, of 10%, the average increase in earnings would be 90%. For coal mining, we take the estimated increase in average weekly earnings between 1938 and 1943; and, for railways, the above figures for men and boys, adjusted for the increases in war bonus, granted in April 1943. Applying weights to these figures, based on the relative numbers employed in 1938, the average increase in earnings since before the war, for the main industries combined, may be estimated at approximately 67% up to the middle of 1943.

J. L. Nicholson.

DIARY

CHANGES IN THE COST OF LIVING INDEX: U.S.A. AND U.K.

By the end of 1943, the official indices of living costs in the United States in this country were respectively 23% and 28% above the corresponding figures of September 1939. Direct comparison of the two indices cannot be made, because of their very different composition. Both the range of goods included and the weights differ, the more so since the U.S. index is based upon a 1937—39 survey whereas our own is still weighted by figures obtained in 1904. Yet the relative increases are of interest (see diagram).

Excluding food, we see that the pattern of change since 1939 is very similar in the two countries. In order of magnitude the rise in clothing prices comes first, then follows the miscellaneous group, fuel, and finally rent which last item now appears to be stable in both countries. The ratio of the increase in these four items to that of all items is very much larger in the United Kingdom than in the U.S.A. (see Table I).

TABLE I.

Ratio of Increase in Separate Items to Increase in Index

(Sept. 1939—Nov. 1942.)

	Food	*Clothing*	*Miscellaneous*	*Fuel, &c.*	*Rent*
U.K. (Nov. 1942)	0.66	2.8	1.7	1.0	0.03
U.S.A. (Nov. 1942)	1.75	1.3	0.7	0.4	0.18

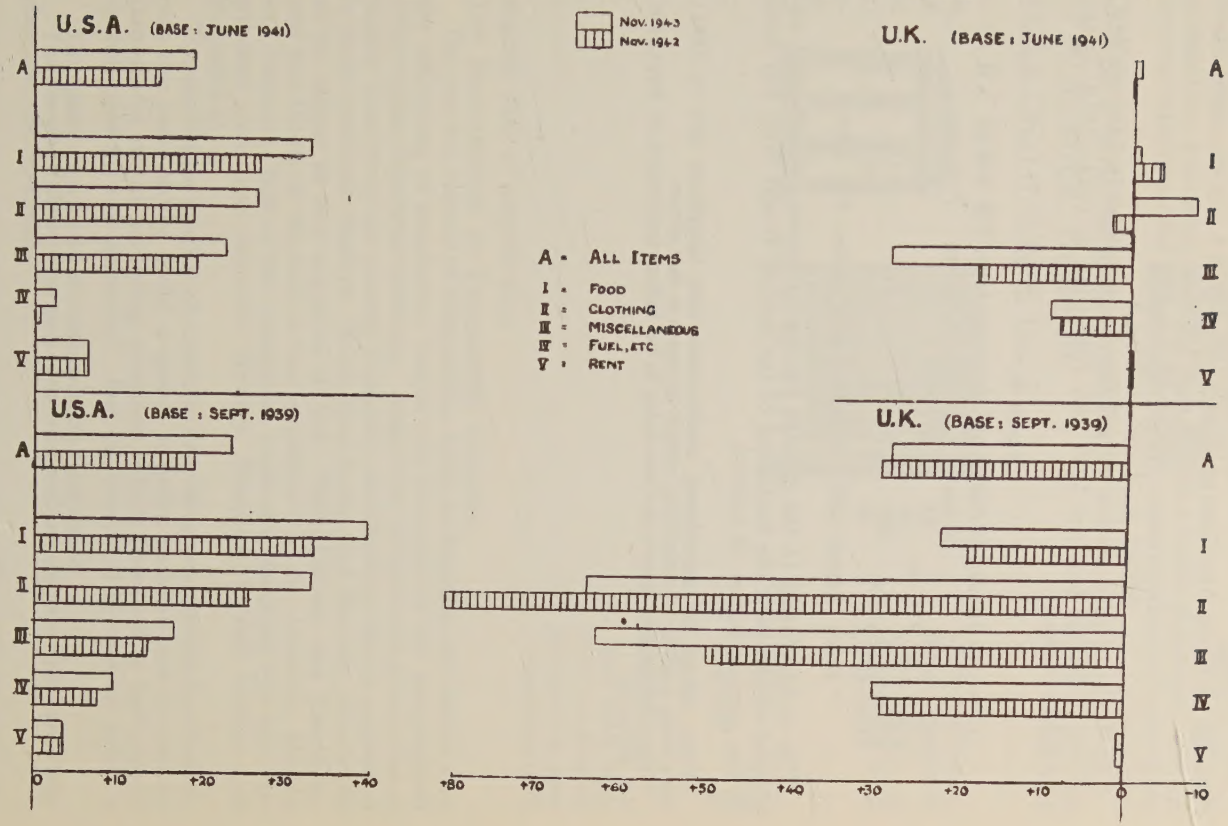
Changes in the items of the U.S. index follow what might be termed the 'classical pattern,' the greatest increase being in food, supplies of which are relatively inelastic. Strikingly enough, the food index in this country has increased less than any other except rent, less even than the whole Index. This discrepancy is partly the dual effect upon prices of Lend-Lease food supplies which reduce quantities available in the U.S. while increasing them here. A second factor is subsidies: the value of subsidies upon food was 15.6% of total consumer expenditure on food in this country while only 1.9% in the U.S. (1943 in both cases). It has been estimated[1] that the British subsidies, evenly applied instead of being concentrated upon selected items would have given a food index in 1942 30% above the 1939 figure, but this is only 1 point greater than the average rise in all items. Some credit must, therefore, be given to the almost comprehensive rationing of food in the U.K., which has so greatly simplified the problem of price-control.

The importance of rationing is more clearly to be seen with clothing. By June 1941, British clothing prices, as reflected by the Index, had already risen by 75% over. Sept. 1939, the Limitation of Supplies having reduced the quantities available by about half. American clothing prices in the same month were only 4.3% above the 1939 figure, while their supplies of civilian clothing were still increasing. Taking June 1941 as a base in both countries we get quite another impression of the pattern of change between the items of the Index (see diagram). Price-control has been legally in force for almost all sectors of the British economy since that

---

[1] BULLETIN, Vol. 4, No. 17.

THE PATTERN OF CHANGES IN COST OF LIVING ITEMS



date and for many American goods since May 1942.[1] Yet the only sectors in either country in which a further rise has been prevented are those in which there is a comprehensive rationing coupled with extensive control over supplies, i.e. British food and clothing.[2]

The rise in living costs has nevertheless been smaller in both the U.S. and Great Britain between 1939 and 1943 than in 1914—1918 as the next Table shows:

TABLE II.

Percentage Increase in Cost of Living, U.S.A. in the Two Wars.

		All items	*Food*	*Clothing*	*Fuel &c.*
1914—1918	U.S.A.	63	78	111	45
1939—43*		26	47	32	10
1914—1918	U.K.	103	115	211	74
1939—1943		28	22	64	30

* Base: August 1939. *Monthly Labour Review*, Feb. 1944.

This is due partly to the greater volume of excess capacity and unutilised resources at the beginning of the Second World War, but more to the greater degree of control.

---

[1] Price ceilings for agricultural commodities were introduced late in 1942; there being a policy of permitting certain increases in this sector.

[2] There is reason to believe the rent index to be rather insensitive, *cf.* BULLETIN Vol. 5, No. 16.

Printed in Great Britain by A. T. BROOME & SON 18 S. Clement's Street, Oxford